

CODE OF GOVERNANCE

B.A.M. Estate Limited Estate Management (Hampstead) Limited

The company should be headed by an effective board, which is collectively responsible for the success of the company.

The board of directors.

The board's role is to provide leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The board should set the company's strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

The board should determine that each director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, a director's judgement. Including if any director:-

- has been an employee of the company or group within the last five years;
- has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- has close family ties with any of the company's advisers, directors or senior employees;
- has not been disqualified by a court from acting as a company director and is not an undischarged bankrupt.

Any such circumstances are reported to the Company's auditors, and any financial benefits accruing to a director through a business relationship are reported in the Company's annual report and accounts.

It is the duty of a director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the company to declare the nature of his interest to a meeting of the board of directors.

As part of their role as members of a unitary board, the directors should constructively challenge and help develop proposals on strategy. The directors should scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

All directors must take decisions objectively in the interests of the company.

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Where directors have concerns which cannot be resolved about the running of the company or a proposed action, they should ensure that their concerns are recorded in the board minutes. On resignation, a director should provide a written statement to the chairman, for circulation to the board, if they have any such concerns.

The board should not be so large as to be unwieldy. The board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that changes to the board's composition can be managed without undue disruption.

To ensure that power and information are not concentrated in one or two individuals, there should be a strong presence on the sub-committees by all directors.

The value of ensuring that sub-committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account in deciding chairmanship and membership of sub-committees.

All directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are complied with. Both the appointment and removal of the company secretary should be a matter for the board as a whole.

It is up to each director to reach a view as to what is necessary in particular circumstances to comply with the duty of care, skill and diligence they owe as a director to the company.

Every director has a personal responsibility to ensure that statutory documents are delivered to the Companies House Registrar as and when required. In particular:

- The annual accounts
- Annual returns
- Notices of change of directors and secretaries
- Notice of change of registered office

The board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.

The board should, at least annually, conduct a review of the effectiveness of the group's system of internal controls. The review should cover all material controls, including financial, operational and compliance controls and risk management systems.

No directors should enter negotiations with third parties on behalf of the Company in respect of any contract or arrangement without first obtaining

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approval at a meeting of the Board convened in accordance with the Articles of Association to enter into such negotiations.

The company should arrange appropriate insurance cover in respect of legal action against its directors.

The chairman of the board.

The board of directors will appoint a chairman and vice-chairman from amongst their numbers.

The chairman is responsible for leadership of the board, ensuring its effectiveness on all aspects of its role and setting its agenda. The chairman is also responsible for ensuring that the directors receive accurate, timely and clear information from management. The chairman should ensure effective communication with shareholders.

The chairman should ensure that the directors continually update their skills and the knowledge and familiarity with the company required to fulfill their role both on the board and on board sub-committees. The company should provide the necessary resources for developing and updating its directors' knowledge and capabilities.

Under the direction of the chairman, the company secretary's responsibilities include ensuring good information flows within the board and its sub-committees and between management and directors, as well as facilitating induction and assisting with professional development as required.

The company secretary should be responsible for advising the board through the chairman on all governance matters.

The chairman should ensure that new directors receive a full, formal and tailored induction on joining the board. As part of this, the company should offer to shareholders the opportunity to meet a new director.

Financial reporting to shareholders.

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that, as landlords of the flats on the estate, the company complies with the law in relation to:

- the setting and recovery of service charges;
- the rights of both the leaseholder and the landlord to challenge or substantiate the charges before a Leasehold Valuation Tribunal;
- the obligations placed upon the landlord to consult the leaseholders before carrying out works or entering into agreements;
- the statutory controls on demands;
- accounting for the charges.

The annual report should identify the chairman, the vice-chairman (where there is one), the company secretary and the chairmen and members of the sub-committees. It should also set out the number of meetings of the board and those sub-committees and individual attendance by directors.

The directors should explain in the annual report their responsibility for preparing the accounts and there should be a statement by the auditors about their reporting responsibilities.

The annual report should explain to shareholders how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded.

The directors have overall responsibility for the company's finances, including ensuring that the funds are used in accordance with the Memorandum and Articles of Association of the company.

Finance sub-committee.

The board should establish a finance sub-committee of at least three directors. The board should satisfy itself that at least one member of the finance sub-committee has recent and relevant financial experience.

The main role and responsibilities of the finance sub-committee should include:

- to monitor the integrity of the financial statements of the company, and any formal announcements relating to the company's financial

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- performance, reviewing significant financial reporting judgements contained in them;
- to review the company's internal financial controls and management systems;
 - to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
 - to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
 - to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

The draft annual accounts are to be presented in person by the auditor at a meeting of the finance sub-committee for approval, prior to presentation by the sub-committee to the board.

The finance sub-committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The finance sub-committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

The finance sub-committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the finance sub-committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board.

Directors and shareholders.

Whilst recognising that most shareholder contact is with the estate manager, the chairman (and other directors as appropriate) should maintain sufficient contact with shareholders to understand their issues and concerns.

The board should keep in touch with shareholder opinion in whatever ways are most practical and efficient.

The chairman should ensure that the views of shareholders are communicated to the board as a whole.

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The board should use the Annual General Meeting (AGM) to communicate with shareholders and to encourage their participation.

The company should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the report and accounts.

The chairman should arrange for the chairman of the finance sub-committee to be available to answer questions at the AGM and for all directors to attend.

At the AGM the company should count all proxy votes and, except where a poll is called, should indicate the level of proxies lodged on each resolution, and the balance for and against the resolution and the number of abstentions, after it has been dealt with on a show of hands. The company should ensure that votes cast are properly received and recorded.